

**PUBLIC DISCLOSURE**

**September 25, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**ST. ANNE'S CREDIT UNION OF FALL RIVER**

**CERT # 67605**

**286 OLIVER STREET  
FALL RIVER, MASSACHUSETTS 02724**

**Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, MA 02118**

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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## TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution CRA Rating	
	a. Overall Rating.....	1
	b. Scope of the Examination.....	2
	c. Description of the Institution .....	3
	d. Description of the Assessment Area.....	4
	e. Conclusions Regarding Performance Criteria .....	7
III.	Appendix	
	General Definitions.....	A-1

## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) to use its authority when examining financial institutions subject to its supervision, to assess the institution’s record of meeting its needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **St. Anne’s Credit Union of Fall River (or the “Credit Union”)**, prepared by the Division, the institution’s supervisory agency as of September 25, 2012. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

**INSTITUTION’S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated Satisfactory.**

**The Community Development Test is rated Satisfactory.**

An institution in this group has a reasonable record of meeting the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The evaluation assessed the Credit Union’s performance utilizing the Federal Financial Institutions Examination Council (“FFIEC”) Intermediate Small Bank (“ISB”) procedures. The assigned rating is based on the result of two performance tests: the Lending Test and the Community Development Test. The Credit Union achieved a Satisfactory rating for both the Lending Test and the Community Development Test. A summary of the Credit Union’s performance is provided below:

### Lending Test

- The Credit Union’s average net Loan to Share (LTS) ratio for the past eight quarters was 67.8 percent and is considered adequate. During the evaluation period the net LTS ratio was primarily influenced by a financial ratio used by the institution to measure the interest rate risk of its loan portfolio. As a result, the net LTS ratio was consistent during the period, but is considerably lower in comparison to other similarly situated institutions.
- A majority of the Credit Union’s home mortgage lending was inside the assessment area. Overall, the Credit Union originated 81.1 percent of its loans inside the assessment area.
- Overall, the Credit Union’s geographic distribution reflects adequate dispersion throughout the assessment area. During the evaluation period, the Credit Union originated 1.3 percent of its home mortgage loans in low-income geographies and 15.2 percent in moderate-income geographies. The 2010 percentages were slightly below the aggregate statistics and the overall percentages were below the percentages of owner-occupied housing units.
- Overall, the Credit Union’s distribution of borrowers reflects, given the demographics of the assessment area, adequate penetration of home mortgage loans among individuals of different income levels, including low- and moderate-income borrowers. In 2010, the percentage of home mortgage loan originations to low- and moderate-income borrowers was slightly higher than the aggregate data.

- There were no CRA-related complaints received during the evaluation period.

#### Community Development Test

- Credit Union board members and officers were involved with community development organizations within its designated assessment area. The Credit Union also participated in a number of financial education initiatives.
- The Credit Union made qualified donations during the examination period.

#### **SCOPE OF EXAMINATION**

This evaluation considered the Credit Union's lending from January 1, 2010 through December 31, 2011 and community development activities for the period November 4, 2008 through September 25, 2012. The data and applicable timeframes used for the Lending Test and Community Development Test are discussed below.

The evaluation considered the Credit Union's home mortgage loans originated in 2010 and 2011. Under CRA, a home mortgage loan is considered to be a home purchase, home improvement, or refinancing of a dwelling-secured loan reported pursuant to the Home Mortgage Disclosure Act ("HMDA"). Data was obtained from the Loan Application Register ("LAR"). Based on the Credit Union's loan portfolio composition as of June 30, 2012, the primary lending activity is first mortgage secured real estate loans/lines of credit, accounting for 77.9 percent of the Credit Union's loan portfolio.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

St. Anne's Credit Union of Fall River is a community Credit Union chartered by the Commonwealth of Massachusetts in 1936. According to the Credit Union's bylaws, membership in the Credit Union is open to people who reside, work, have a place of business, or whose corporate office is in the greater Fall River area, as well as all of Bristol, Plymouth, and Barnstable Counties in Massachusetts. The Credit Union's main office is located at 286 Oliver Street, Fall River, Massachusetts in a low-income census tract. The Credit Union has 58,129 members as of June 30, 2012.

In addition to the main office, the Credit Union operates seven full service branches: two in Fall River, and one each in Fairhaven, New Bedford, Somerset, Swansea, and Dartmouth. ATMs are located at each branch. The Fall River branches are located in a moderate-income census tract and a middle-income tract, respectively. The remaining branches are located in middle-income census tracts. The Credit Union has a Seekonk location which operates as a loan center and is staffed by a loan originator and a loan processor who accept residential and consumer loan applications. Credit deposits, retail banking services and an ATM are not offered at this location. The loan center is in an upper-income census tract. During the previous evaluation the Dartmouth location was operating as a loan center; however, in June 2011, it became a full service branch. Business hours are readily accessible to all members, and all of the offices are open on Saturday from 8:00 a.m. to noon. The loan center is opened on Saturday by appointment only. St. Anne's Credit Union of Fall River is a member of the SUM network, a surcharge free ATM network.

As of June 30, 2012, the Credit Union had total assets of \$809.3 million. This represents an 8.4 percent increase since the prior evaluation. The Credit Union's loan portfolio increased 13.2 percent over the same period, with net loans totaling \$492.1 million as of June 30, 2012. The loan portfolio accounts for 60.8 percent of the Credit Union's assets. Refer to Table 1 for detailed information regarding the Credit Union's loan portfolio.

<b>Table 1 - Loan Portfolio as of June 30, 2012</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans (%)</b>
First Mortgage Real Estate Loans/Lines of Credit	383,481	78.0
Total Other Real Estate Loans/Lines of Credit	75,468	15.3
Used Vehicle Loans	15,283	3.1
New Vehicle Loans	8,508	1.7
All Other Unsecured Loans/Lines of Credit	6,211	1.3
Total All Other Loans/Lines of Credit	3,197	0.6
<b>Total Loans</b>	<b>\$492,148</b>	<b>100.0</b>

*Source: 5300 Report, Statement of Financial Condition as of 6/30/12, Due to rounding, percentages may not equal 100*

The Credit Union provides a variety of personal and business financial services. Personal financial services include checking and savings accounts, retirement accounts, home mortgage loans, home equity loans, Visa credit cards and consumer loans. The Credit Union offers first-time home buyers' programs through the Massachusetts Housing Finance Agency. Business

financial services include checking and savings accounts, commercial real estate loans, construction loans and lines of credit, and Visa credit cards.

The Credit Union maintains a website at [www.stannes.com](http://www.stannes.com). The website provides information about branch locations and hours, products and services, online services, and other financial services available to members. Lobby hours for all branches are: Monday through Wednesday from 9am – 4pm, Thursday from 9am – 6pm, Friday from 9am – 7pm, and Saturday from 9am – 12pm. Drive up hours for all branches are: Monday through Wednesday from 7:30am – 5pm, Thursday from 7:30am – 6pm, Friday from 7:30am – 7pm, and Saturday from 8am– 12pm. All branches are closed on Sundays.

The Credit Union was last examined for compliance with the CRA on November 3, 2008. The examination resulted in a CRA rating of Satisfactory.

There are no apparent financial or legal impediments that would limit the Credit Union’s ability to help meet the credit needs of its assessment area.

### Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the institution has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, unless otherwise permitted, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Credit Union’s assessment area contains 10 cities and towns located in Bristol and Newport Counties. Both counties are located in the Providence-New Bedford-Fall River RI-MA MSA. The cities and towns of the assessment area in Bristol County are: Acushnet, Dartmouth, Fairhaven, Fall River, New Bedford, Seekonk, Somerset, Swansea and Westport, Massachusetts. Tiverton, Rhode Island is in Newport County.

Table 2 - Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	81	14.8	37.0	39.5	8.6
Population by Geography	319,695	9.2	33.7	47.1	10.0
Owner-Occupied Housing by Geography	71,108	3.9	22.0	61.2	12.9
Business by Geography	24,751	12.7	24.2	51.9	11.2
Family Households by Income Level	85,230	27.0	18.8	22.4	31.8
Distribution of Low and Moderate Income Families throughout AA Geographies	39,045	13.4	43.9	37.6	5.1
Median Family Income for 2000		\$46,818	Median Housing Value Unemployment rate		\$142,251 6.9 %
HUD Adjusted Median Family Income for 2010		\$72,100			
HUD Adjusted Median Family Income for 2011		\$74,500			
Households Below Poverty Level		14.3 %			
Families Below Poverty Level		10.3 %			
Sources: 2000 US Census; 2011 HUD updated Median Family Income, 2012 Bureau of Labor Statistics, The Warren Group Median Sales Price, Percentages may not add to 100 due to rounding					

As Table 2 shows, the assessment area is comprised of 81 census tracts, of which 12 or 14.8 percent are low-income, 30 or 37.0 percent are moderate-income, 32 or 39.5 percent are middle-income, and 7 or 8.6 percent are upper-income census tracts. The assessment area has a total population of 319,695 residing in 85,230 family households. Of all family households in the area, 27.0 percent are low-income, 18.8 percent are moderate-income, 22.4 percent are middle-income, and 31.8 percent are upper income. Of the families living in the assessment area, 10.3 percent are below the poverty level.

The assessment area consists of 136,583 total housing units, of which 71,108 or 52.1 percent are owner-occupied, 55,980 or 41.0 percent are rental units and 9,495 or 7.0 percent are vacant units. Of the 71,108 owner-occupied housing units, 2,754 or 3.9 percent are in low-income census tracts and 16,613 or 22.0 percent are in moderate-income census tracts. According to the 2000 U.S. Census, the median housing value in the assessment area was \$142,251. However, recent data from *The Warren Group* reflects higher home values as of June 30, 2012; median home sale prices ranged from a low of \$161,000 in Tiverton, RI to a high of \$336,108 in Westport and the average home sales price as of June 30, 2012 for the assessment area was \$210,060.

As noted above, 10.3 percent of families and 14.3 percent of households are below the poverty level. When an assessment area exhibits a high percentage of low-income families and households below the poverty level as well as a high percentage of rental or vacant units, it can be reflective of a population's reduced ability to secure a home mortgage loan and may reduce a financial institution's ability to penetrate such markets.

According to the June 2012 data from the Bureau of Labor Statistics, the seasonally adjusted unemployment rate for the Providence-New Bedford-Fall River RI-MA MSA is 10.5 percent. In 2011, the unemployment rate for Bristol County was 9.2 percent and 5.9 percent for Newport County. As of June 2012, the unemployment statistics for some of the towns in the assessment area per the Bureau of Labor Statistics were: Acushnet 8.9 percent, Fall River 10.6 percent, New Bedford 11.8 percent and Tiverton 4.8 percent.

Numerous businesses operate throughout the assessment area, with the highest concentration being in the middle-income census tracts. According to 2011 Business Geodemographic Data, the area has 24,751 businesses in operation, 68.7 percent of which are known to have gross annual revenues under \$1 million. The highest proportions of these businesses are engaged in the service industry (38.9 percent) and non-classifiable establishments (17.6 percent). Approximately 62.8 percent of the area's businesses employ four or fewer people.

The Credit Union operates in a competitive lending environment. For 2010, the home mortgage lending market share report indicated 241 lenders reported 9,976 originations or purchases totaling approximately \$1.976 billion in the assessment area. The top ten home mortgage loan originators consist of large national banks as well as mortgage companies. These institutions account for 42.3 percent of the market share of the total assessment area. St. Anne's Credit Union ranked 2<sup>nd</sup> overall in the assessment area with a market share of 8.15 percent, while Bank of America N.A ranked first with 12.2 percent.

### ***Community Contact***

As part of the evaluation process, third parties active in community affairs are contacted to assess the financial service needs in the Credit Union's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and whether additional opportunities are available.

A community contact was conducted with a non-profit community development organization that assists low- and moderate-income individuals with first-time homebuyer's seminars and lead paint remediation programs. The contact stated employment poses the largest challenge in the area. The contact also stated local financial institutions need to "loosen up on lending" and need to create low-interest rehab loans and a loan modification program geared towards low- and moderate-income individuals. Overall, the contact was pleased with the responsiveness of the local financial institutions to the areas credit needs.

Based on the area's demographics and the insights gained through discussions with management and the community contacts, the assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

ISB CRA evaluation procedures were utilized to assess the CRA performance. These procedures utilize both a Lending and Community Development Test. The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-share (LTS) ratio, assessment area concentration, geographic distribution of loans, lending to borrowers of different incomes (borrower profile), and record of taking action in response to CRA complaints and fair lending performance. The Community Development Test considered qualified community development investments and services.

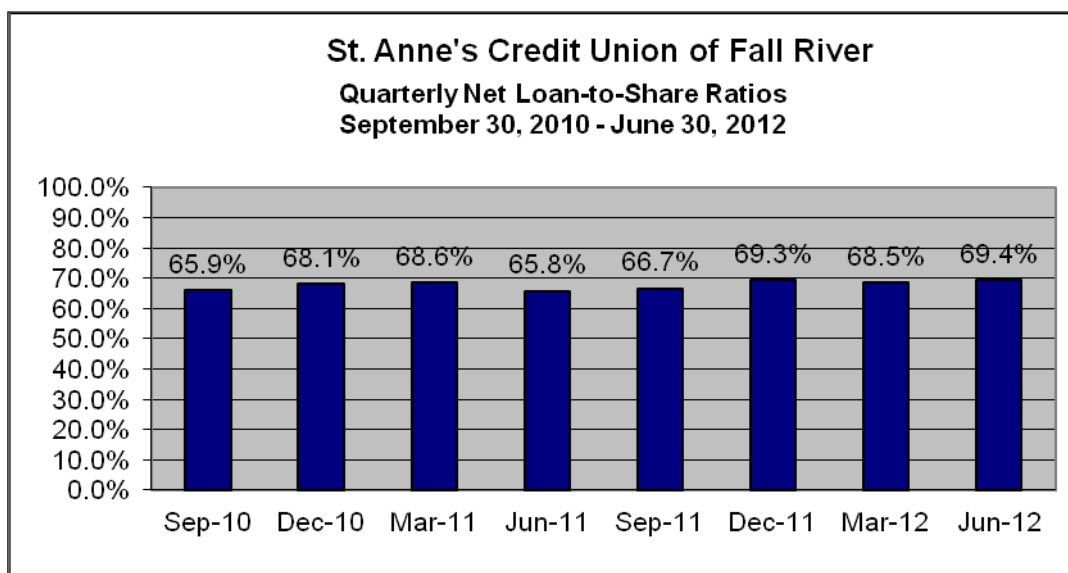
### **LENDING TEST**

Overall, the Credit Union's performance under the Lending Test is considered "Satisfactory."

#### **1. LOAN-TO-SHARE (LTS) ANALYSIS**

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans and evaluates its appropriateness. The Credit Union's net loan-to-share (LTS) ratio is adequate given the institution's size, financial condition, and assessment area credit needs.

The Credit Union's net LTS ratio as of June 30, 2012 was 69.4 percent. The Credit Union's average quarterly net LTS ratio was 67.8 percent and was calculated by averaging the previous eight quarterly net LTS ratios between September 30, 2010 and June 30, 2012. As shown in the graph below, the net LTS ratio reached a high of 69.4 percent in June 2012 and a low of 65.8 in March 2011.



Changes in loan and share amounts were analyzed to assess the fluctuations in the net LTS ratios. From September 2010 to January 2011 the Credit Union's loan portfolio increased by 5.6 percent, but then decreased by 3.4 percent in the next quarter. During the same period shares increased 2.1 percent. As a result of the decrease in loans and the increase in shares, the Credit Union experienced a 2.8 percent net LTS decrease from the first quarter in 2011 to the second quarter.

From June 2011 to December 2011, the Credit Union experienced a 4.7 increase in loans and a 0.8 percent increase in shares. Since the loan increase was significantly larger than the share increase, the net LTS ratio increased by 2.6 percent. From December 2011 to June 2012, both loans and shares increased with loans slightly outpacing shares.

According to the Credit Union, the Credit Union sells loans on the secondary market based on a ratio used to measure the interest rate risk of the loan portfolio. If necessary, the Credit Union will sell loans in order to maintain a ratio in compliance with internal standards. From January 1, 2010 through December 31, 2011, the Credit Union sold 617 of loans totaling \$128.3 million. This strategy has resulted in a consistent net LTS ratio during the evaluation period.

For evaluation purposes, the Credit Union's net LTS ratio was compared to similarly situated financial institutions by asset size and loan portfolio composition.

<b>Table 3 - Net Loan-to-Share Ratios</b>		
<b>Institution</b>	<b>Average Net LTS Ratio (%) (9/30/12 – 6/30/12)</b>	<b>Total Assets \$(‘000s) as of 6/30/12</b>
<b>St. Anne's Credit Union of Fall River</b>	<b>67.8</b>	<b>809,312</b>
St. Mary's Credit Union	65.6	603,324
First Citizen's Federal Credit Union	107.4	573,946

*Source: NCUA 5300Statement of Financial Condition as of June 30, 2012*

As shown in Table 3 above, the other credit unions' average quarterly net LTS ratios were 107.4 percent and 65.6 percent. Based on the foregoing information, the Credit Union's asset size and resources, and the credit needs of its members, the Credit Union's net loan-to-share ratio is considered adequate.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA**

This performance criterion determines what percentage of the Credit Union's lending occurs inside the assessment area. As shown in Table 4, the Credit Union originated the majority of home mortgage loans inside the assessment area.

<b>Table 4 - Distribution of Loans Inside and Outside of Assessment Area</b>										
Loan Category or Type	Number of Loans					Dollar Volume \$(‘000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>2010</b>										
Home Purchase	134	81.2	31	18.8	165	27,008	77.9	7,649	22.1	34,657
Refinance	532	83.4	106	16.6	638	88,097	79.4	22,860	20.6	110,957
Home Improvement	147	82.1	32	17.9	179	12,543	78.3	3,467	21.7	16,010
<b>Total</b>	<b>813</b>	<b>82.8</b>	<b>169</b>	<b>17.2</b>	<b>982</b>	<b>127,648</b>	<b>79.0</b>	<b>33,976</b>	<b>21.0</b>	<b>161,624</b>
<b>2011</b>										
Home Purchase	108	80.0	27	20.0	135	19,728	76.5	6,050	23.5	25,778
Refinance	497	78.9	133	21.1	630	78,436	73.2	28,687	26.8	107,123
Home Improvement	93	80.9	22	19.1	115	7,685	78.1	2,157	21.9	9,842
<b>Total</b>	<b>698</b>	<b>79.3</b>	<b>182</b>	<b>20.7</b>	<b>880</b>	<b>105,849</b>	<b>74.2</b>	<b>36,894</b>	<b>25.8</b>	<b>142,743</b>
<b>Total Home Loan</b>	<b>1,511</b>	<b>81.1</b>	<b>351</b>	<b>18.9</b>	<b>1,862</b>	<b>233,497</b>	<b>76.7</b>	<b>70,870</b>	<b>23.3</b>	<b>304,367</b>

*Source: HMDA LAR for 2010 and 2011*

The Credit Union's assessment area concentration is good as it originated a significant majority of home mortgage loans inside the assessment area. In 2010, the Credit Union originated 82.8 percent of loans inside the assessment area by number and 79.0 percent by dollar volume. In 2011, the Credit Union originated 79.3 percent of loans inside the assessment by number and 74.2 percent by dollar volume. Overall, the Credit Union originated 81.1 percent of home mortgage loans in the assessment area by number and 76.7 percent by dollar volume.

### 3. GEOGRAPHIC DISTRIBUTION

The geographic distribution of home mortgage loans was reviewed to assess how the Credit Union is addressing the credit needs throughout the assessment area. The Credit Union achieved an adequate dispersion of home mortgage loans throughout its assessment area based on a comparison with assessment area demographic data and aggregate lending data. Refer to Table 5 for the distribution of home mortgage loans among the census tract income categories.

The table below shows the comparison of home mortgage loans by census tract with aggregate lending and the percentage of owner-occupied housing units in the assessment area.

<b>Table 5 - Distribution of HMDA Loans by Census Tract Income Level</b>								
<b>Census Tract Income Level</b>	<b>% of Total Owner-Occupied Housing Units</b>	<b>2010 Credit Union Lending Data</b>		<b>2010 Aggregate Lending Percentage</b>	<b>2011 Credit Union Lending Data</b>		<b>Total Credit Union Lending Data</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	3.9	10	1.2	2.6	9	1.3	19	1.3
<b>Moderate</b>	22.0	121	14.9	18.0	109	15.6	230	15.2
<b>Middle</b>	61.2	521	64.1	64.1	416	59.6	937	62.0
<b>Upper</b>	12.9	161	19.8	15.3	164	23.5	325	21.5
<b>Total</b>	<b>100.0</b>	<b>813</b>	<b>100.0</b>	<b>100.0</b>	<b>698</b>	<b>100.0</b>	<b>1,511</b>	<b>100.0</b>

*Source: HMDA LAR for 2010 and 2011, 2010 aggregate data, and 2000 U.S. Census.*

As shown in the table above, in 2010 the Credit Union's home mortgage originations in low- and moderate-income census tracts were below both the aggregate data and the percentage of owner-occupied housing units in the assessment area. In 2011, the Credit Union's home mortgage originations decreased overall. However, the percentage of lending in low- and moderate-income tracts increased slightly.

### 4. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of home mortgage loans by borrower income levels was reviewed to determine the extent to which the Credit Union is addressing the credit needs of the area residents. The Credit Union achieved a good penetration of home mortgage loans among borrowers of different income levels based on a comparison with the area's demographic data and aggregate lending data as shown in Table 6.

Table 6 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	Family Distribution by Income Level	2010 Aggregate Lending Percentage	2010 Credit Union Lending Data		2011 Credit Union Lending Data		Total Credit Union Lending Data	
			#	%	#	%	#	%
<b>Low</b>	27.0	7.6	69	8.6	58	8.5	127	8.6
<b>Moderate</b>	18.8	24.3	207	25.8	184	26.9	391	26.3
<b>Middle</b>	22.4	30.3	248	31.0	196	28.6	444	29.9
<b>Upper</b>	31.8	37.8	277	34.6	246	36.0	523	35.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>801</b>	<b>100.0</b>	<b>684</b>	<b>100.0</b>	<b>1,485</b>	<b>100.0</b>

*Source: HMDA LAR for 2010 and 2011, 2010 Aggregate Data, and 2000 U.S. Census.*

The distribution of borrowers reflects, given the demographics of the assessment area, an adequate penetration among individuals of different income levels. In 2010, the Credit Union originated 8.6 percent of home mortgage loans to low-income borrowers, which is 1 percent higher than the aggregate. For the same year, the Credit Union originated 25.8 percent of home mortgages to moderate-income borrowers, which is 1.5 percent higher than the aggregate and 7 percent higher than the demographic data. In 2011 the Credit Union originated 8.5 percent of home mortgage loans to low-income borrowers and 26.9 percent to moderate-income borrowers. Mortgage lending to low-income borrowers was significantly lower than the demographic data for both years reviewed. This is expected as almost 40 percent of low-income families are below the poverty level and would not be able to afford a mortgage payment.

The Credit Union has made additional efforts to meet the credit needs of low- and moderate-income borrowers. The Credit Union is an approved lender for loans through the Massachusetts Housing Finance Agency (MHFA). Also known as MassHousing, these loans offer affordable fixed interest rates, low downpayment options and flexible underwriting and income limits for low- and moderate-income borrowers. The Credit Union originated 48 loans totaling \$7.9 million during the evaluation period. In 2010, the Credit Union was recognized as the top MassHousing lender in Bristol County. The Credit Union also participates in other loan programs targeted to low-and moderate income borrowers such as the Home Loan Payment Relief Program through the Credit Union National Association (CUNA) and the MyCommunityMortgage program through Fannie Mae. These loan programs allow underwriting flexibility and favorable loan terms and rates.

## 5. RESPONSE TO CRA COMPLAINTS AND FAIR LENDING

The Credit Union did not receive any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. Sample reviews of the Credit Union's approved and non-originated residential loan application files were conducted to check for fair lending issues. No practices that would result in disparate treatment were noted.

St. Anne's Credit Union of Fall River has a written Fair Lending Policy within its loan policy. Included in this policy are the Credit Union's efforts to eliminate discrimination in all aspects of lending.

The Credit Union annually provides fair lending training to all employees and board members.

The Credit Union has a second review for denied loan applications. All denied mortgage applications are reviewed by the Credit Committee.

The Credit Union will make exceptions to the loan policy.

## MINORITY APPLICATION FLOW

The Credit Union's level of lending was compared with that of the 2010 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants. Refer to the table below for information on the Credit Union's and the aggregate's minority application flow in the assessment area.

Minority Application Flow								
RACE	2010		2010 Aggregate		2011		Credit Union Total	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	25	0.2	0	0.0	0	0.0
Asian	4	0.3	119	0.9	4	0.4	8	0.4
Black/ African American	9	0.8	194	1.4	7	0.8	16	0.8
Hawaiian/Pacific Islander	0	0.0	9	0.1	1	0.1	1	0.0
2 or More Minority Races	0	0.0	1	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	3	0.3	94	0.7	7	0.8	10	0.5
<b>Total Minority</b>	<b>16</b>	<b>1.4</b>	<b>442</b>	<b>3.3</b>	<b>19</b>	<b>2.1</b>	<b>35</b>	<b>1.7</b>
White	1,133	98.3	11,107	82.0	901	97.7	2,034	98.1
Race Not Available	3	0.3	1,989	14.7	2	0.2	5	0.2
<b>Total</b>	<b>1,152</b>	<b>100.0</b>	<b>13,538</b>	<b>100.0</b>	<b>922</b>	<b>100.0</b>	<b>2,074</b>	<b>100.0</b>
<b>ETHNICITY</b>								
Hispanic or Latino	<b>5</b>	<b>0.4</b>	<b>276</b>	<b>2.0</b>	7	0.8	12	0.6
Not Hispanic or Latino	1,138	98.8	11,191	82.7	906	98.3	2,044	98.5
<b>Joint (Hisp/Lat / Not Hisp/Lat)</b>	<b>6</b>	<b>0.5</b>	<b>89</b>	<b>0.7</b>	<b>8</b>	<b>0.8</b>	<b>14</b>	<b>0.7</b>
Ethnicity Not Available	3	0.3	1,982	14.6	1	0.1	4	0.2
<b>Total</b>	<b>1,152</b>	<b>100.0</b>	<b>13,538</b>	<b>100.0</b>	<b>922</b>	<b>100.0</b>	<b>2,074</b>	<b>100.0</b>

As indicated in the table above, the Credit Union's performance in minority application flow was below the 2010 aggregate for both minority and ethnicity. The Credit Union received 1.4 percent of its applications from minorities while the aggregate received 3.3 percent of applications from minorities. The Credit Union received 0.9 percent of applications from

Hispanic or Latino borrowers and joint applications in which at least one borrower was Hispanic or Latino. The aggregate received 2.7 percent from the same group of applicants.

According to the 2000 U.S. Census data, the Credit Union's assessment area contained a total population of 319,695 individuals of which 12.2 percent are minorities. The assessment area minority and ethnic population is 2 percent Black/African American; 1.1 percent Asian; 0.2 percent American Indian; 0.02 percent Native Hawaiian/Pacific Islander; 4.3 percent Hispanic/Latino and 4.6 percent Other.

The Credit Union showed a positive trend for 2011, particularly with regard to applications from Hispanic borrowers. The minority application flow is deemed adequate.

## **COMMUNITY DEVELOPMENT TEST**

Community development activities considered for the Community Development Test include:

- (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals;
- (2) Community services targeted to low-or moderate-income individuals;
- (3) Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company Programs or have gross annual revenues of \$1 million or less; or
- (4) Activities that revitalize or stabilize low-or moderate-income geographies.
- (5) Loans, investments, and services that support, enable, or facilitate Neighborhood Stabilization Program (NSP) eligible activities in designated target areas.

The Credit Union's community development performance demonstrates a satisfactory responsiveness to the community development needs of its assessment area. The Credit Union has met these community development needs through qualified investments and community development services.

### ***Community Development Services***

A community development service has community development as its primary purpose and is generally related to the provision of financial services. Credit Union board members, officers, and employees donate their time to many community organizations which meet the definition of community development by providing technical and financial expertise. The following is a sample of some of the organizations with which Credit Union personnel are involved:

**Fall River Office of Economic Development** – Organizational objectives include job creation and retention; helping businesses evaluate the advantages of locating to Fall River; offering aggressive incentive programs including low-interest financing and tax exemptions; employee recruiting and training services; and site selection assistance. A Board Member of the Credit Union serves as a Board Member of this organization.

**The United Way of Greater Fall River** - This locally incorporated volunteer-led non-profit organization raises charitable contributions to invest in programs and services that deliver measureable results in changing lives and building stronger communities. The organization aids 17 member agencies and programs in which 94 percent of members provide services to low-or-

moderate income individuals and families. The Assistant Vice President of Human Resources is on the allocations committee.

**Steppingstones, Inc.** - The organization provides residential substance abuse treatment, transitional housing, outpatient treatment, and provides permanent supportive housing to chronic homeless individuals disabled with co-occurring disorders. The Assistant Vice President of Human Resources is the Treasurer of this organization.

**South Eastern Economic Development Corporation (SEED)** - The organization is a regional nonprofit economic development corporation focused on assisting and supporting small business during the start-up phase and to help secure traditional financing as well as promoting the expansion of existing businesses by working with lending institutions and the SBA to provide the best possible financing package. A Board Member of the Credit Union is a member of this organization.

### **Financial Literacy Seminars and Programs**

The Credit Union participates in community development services by offering financial literacy programs:

- From 2010 through 2012 the Credit Union has participated in Credit for Life Fairs at local high schools. During these fairs, students took part in an interactive financial literacy exercise covering the basics of budgeting and managing credit. Credit Union employees acted as “credit counselors” and provided students with advice and guidance regarding their choices such as purchasing a vehicle, buying a home and paying for luxury items.
- In 2010 the Credit Union participated in the MassHousing Opportunity Knocks Homebuyer Fair. The purpose of the event was to increase awareness of dramatically improved home affordability with particular focus on the availability of affordable homes, increasing prospective buyer confidence, and generating enthusiasm for homeownership.
- In 2012 employees of the Credit Union presented two financial literacy seminars on the basics of banking to residents living in local public housing. The seminar covered topics such as different bank account options, direct deposit options, tips on maintaining a positive banking reputation, balancing a checkbook, establishing, maintaining and repairing credit, and household budgeting tips.

### **Other Services**

The Credit Union is an active participant in the New Bedford Housing Partnership. This organization is comprised of local stakeholders including local lenders, city and state representatives, and social service agencies. The Credit Union participates in meetings, presentations, sessions and has been a presenter as well as a sponsor of programs offered by the organization. The organization’s services include mortgage counseling workshops, homebuyer workshops, credit counseling, and tenant counseling.

### ***Community Development Investments***

A qualified community development investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. Between November 4, 2008 and September 25, 2012, Credit Union donations totaled \$199,413, of which \$63,621 or 32 percent were CRA qualified. The Credit Union's qualified community development investments are adequate.

<b>Table 7 - Community Development Investment by Category</b>								
<b>Category</b>	<b>2009</b>		<b>2010</b>		<b>2011</b>		<b>2012</b>	
Affordable Housing	2	\$1,261.58	-	-	1	\$415.00	-	-
Services	18	\$8,396.58	12	\$15,895.14	18	\$10,573.47	12	\$22,229.00
Revitalization or Stabilization	3	\$1,500.00	2	\$2,350.00	2	\$750.00	1	\$250.00
<b>Total</b>	<b>23</b>	<b>\$11,158.16</b>	<b>14</b>	<b>\$18,245.14</b>	<b>21</b>	<b>\$11,738.47</b>	<b>13</b>	<b>\$22,479.00</b>

*Source: Internal Credit Union Records*

The following is a sample of organizations that received donations from the Credit Union:

**St. Mary's Education Fund-** Provides educational scholarships for children of low- and moderate-income families.

**The Sheppard's Pantry, Inc.** – This food pantry provides food to anyone who comes to their site. Food is distributed according to need and family size.

**Waterfront Historic Area League (WHALE)** – This organization is committed to saving the New Bedford's history and architectural heritage. In the past 50 years, the organization has facilitated and completed more than 50 restoration and preservation projects including purchase, rehabilitation, sale and deed restrictions. Efforts in historic preservation include community development, neighborhood development, economic development, and affordable housing initiatives.

**Child & Family Services** - This organization's services include outreach and counseling, psychiatry, and support groups. One of the objectives is to help support children who are at risk of abuse, mental health issues, poverty and violence.

**The Women's Center** – Services include a domestic violence program, sexual assault program, child trauma program, residential services, legal advocacy, medical advocacy, counseling, and prevention education and community outreach. Outreach efforts include education and training for organizations, schools, service providers and communication with faith communities, homeless population service provides, and medical communities.



## **APPENDIX**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

### **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

### **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 286 Oliver Street, Fall River, MA 02724."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.